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ABSTRACT

Recent growth in high technology and substantial entrepreneurial activity in Utah has resulted in an economic boom in different regions of the state. This boom has led to economic prosperity for many, but also economic decline for others, and subsequent increasing economic inequality chroughout the state. This special KIDS COUNT report presents an economic rationale for investing in child care in the state. The report identifies connections between the health and economic security of children and the broader statewide economy, discussing issues related to quality of life, social capital, changes in the workforce, the high cost of child care, availability of child care, quality of child care, and obstacles to child care expansion. The report maintains that parents must be able to address the questions of availability, affordability, and appropriateness of care in order to be productive and reliable employees. Thus, the report argues, the availability, affordability, and quality of child care are essential to Utah's sustained, long-term economic growth. Recommendations are made for future analyses related to the child care industry by state and local government and business/financial organizations. The report concludes by reiterating that child care and early education are critical to meeting Utah's highest priorities: helping families work and ensuring that every child enters school ready to learn. (KB)

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Child Care and Utah's Economy....

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Making the Connection

Utah kids count

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A Special Utah KIDS COUNT Report

April 2002

Letter from the Executive Director

Child Care and Utah's Economy: Making the Connection, is a KIDS COUNT publication from Utah Children. KIDS COUNT is a national effort to measure, monitor, and improve the health and well-being of America's children. The intent of this special report is to present the economic rationale for investing in children and families.

Children's health and well-being are important factors in Utah's strong economy. Utah continues to place highly on national rankings of the health and well-being of children, to be a desired place to raise children.

Child care is an increasingly important issue for parents and employers. As a state, we face a unique and urgent opportunity to invest in our children, to help working parents struggling to make ends meet, and to build a secure future. Long perceived primarily as a social or educational service, child care also generates revenue, creates and supports local jobs, and makes contributions to the state's overall economic growth. Child care directly affects the bottom line for individuals, business, and government.

We hope this KIDS COUNT report will inform you about child care issues and leave you with a deeper understanding of why children count for not only personal, social, and ethical reasons, but also for economic reasons. Most of all, we hope the analysis presented here will be a catalyst for increasing public and private sector engagement in efforts to improve the availability, affordability, and quality of child care in Utah.

Karen Crompton
Executive Director

Cover photo by Linda Boyd

Key Economic Trends in Utah

By nearly any measure, Utah had an enviable economy over the past decade. The state has been a leader in the new economy - an economy based on ideas and knowledge rather than manufacturing. We have ranked above the national average in population, employment, and personal income growth rates during the 1990s.

Utah has been recognized in nationwide reviews and studies as an excellent place to live and conduct business. According to the Economic Report to the Governor, Utah ranks:

- First as the best place to live in the West.
- First for households with home computers.
- Third as a hot spot for high tech business growth.
- Fourth in percentage of population over 25 with a high school diploma.
- Fourth most livable state.
- Sixth for high tech employment growth from 1994 to 2000.

The state's recent growth in high technology and substantial entrepreneurial activity has resulted in an economic boom in different regions of the state. This has led to economic prosperity for many, but also economic decline for others, and subsequent increasing economic inequality throughout the state.

Utah: The Youngest State

Utah's population continues to grow at about twice that of the nation. The state's population is younger and women tend to have more children. Over the next decade, Utah is projecting an increase of 100,000 people in the school-age population.

Utah has:

- the youngest population in the nation, ranking first in percent of the population under 18 (32%) in 2000.
- the lowest median age (27.1) among the states.
- the highest share of its population in the pre-school age group (9.4%).
- the second highest share of its population in the school-age group (22.8%).

Child Well-Being in Utah: A Study in Contrast

Nationally, Utah has:

- the lowest percentage of children headed by a single parent.
- the second lowest percentage of children in poverty.
- the sixth lowest overall poverty rate.
- the second lowest percentage of children living with parents who do not have full-time year-round employment.
- the fourth lowest infant mortality rate.

And yet....

- 93,000 children in the state live in poverty.
- 176,000 children live in working poor families.
- Utah has a higher percentage of children living in working poor families than the nation.
- we have dropped from ranking second in overall poverty rate to sixth.
- 28,747 children live in extreme poverty, below 50% of the poverty level (around $8,500 for a family of four).

Children and Families Left Behind

The increasing economic disparity in the state is reflected in data on children's health and well-being. National Kids Count reports consistently rank Utah as one of the top states for children, based upon aggregate data on ten key indicators of child health and well-being. Yet Utah children are falling behind on some key measures of economic well-being. Greater numbers of Utah children are living in poverty and living with underemployed parents.

Seeing the Connections: Kids and the Economy

The health and economic security of children and the broader statewide economy are connected in many - though not immediately obvious - ways.

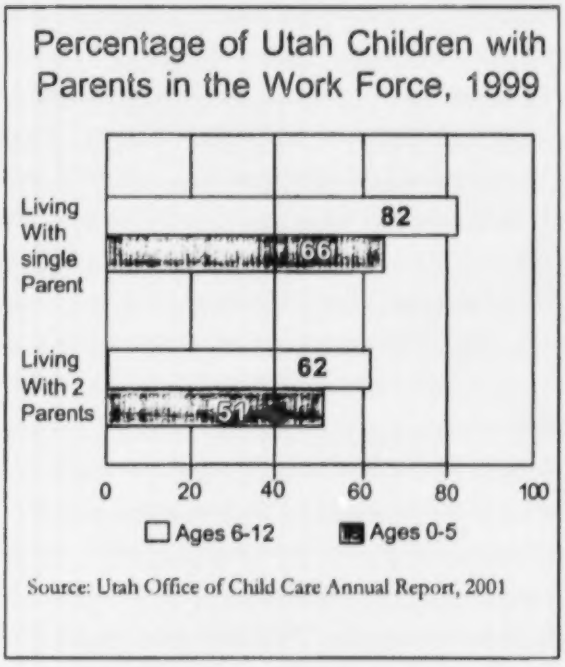
Quality of Life

Quality of life continues to be an important criterion for businesses when deciding where to relocate or expand. With a tight, skilled labor market, businesses increasingly locate where their most-valued employees (i.e. skilled workers) want to live. Baby boomer workers are a central component of today's labor force, and they care deeply about the well-being of children. They are drawn to locations perceived to have a high quality of life, and businesses follow.

Social Capital

Social capital is the web of relationships between and among people that allow a community, economy and the state to function. The stronger and more positive relationships are in a community, the greater the social capital. Social capital is strongly correlated with many social conditions, including the status of children. Social capital as it relates to and is affected by the conditions of children in the state contributes to the efficiency of the state economy overall. Since the condi-

tion of children
affects social capital, investment in children can have significant economic payback for Utah businesses and the state's economy.



Source: Utah Office of Child Care Annual Report, 2001

Changes in the Workforce

Parents today are working harder than ever to support their families and seeking quality child care experiences to help their children start school ready to succeed. Frequently both parents must work to make ends meet.

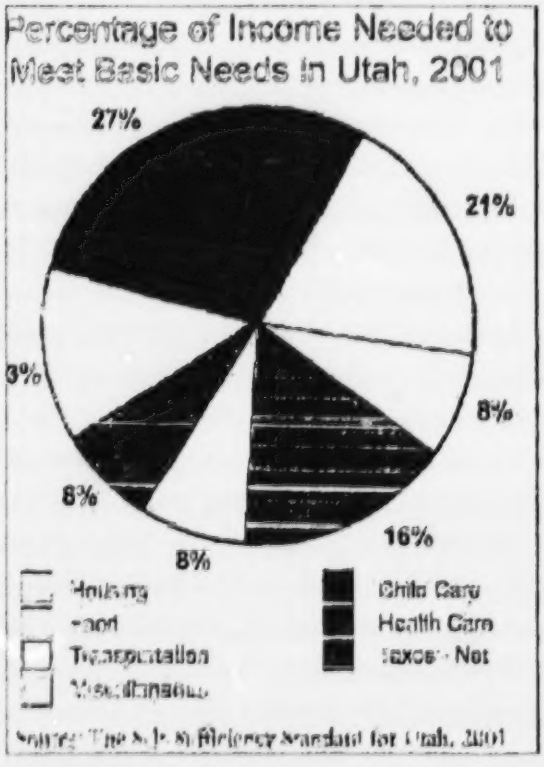
In 2000, three-fourths of all families with children younger than six, and two-thirds of married couple families with young children, had parents in the workforce. More than two-thirds of women with children younger than thirteen and over one-half of mothers with infants under age one are in the labor force. In Utah 70 percent of children under age six live with working mothers. For many parents, quality child care is a necessity.

There has been a significant change in the roles played by mothers during the past forty years. Today most mothers combine caregiving and employment. Since 1975 the percentage of mothers with children under the age of three has increased from 34% to 61% in the year 2000. This is a result of several factors:

- Welfare recipients now have work requirements.
- Family incomes have been jeopardized by an erosion of men's wages.
- The risk of divorce and poverty has prompted women to secure work experience.
- Women, as well as men, have career aspirations.

The High Cost of Child Care

Child care can easily cost from $4,000 to $10,000 per year. (The average annual cost of tuition at a public university in Utah is $2,174.) Yet the average income for Utah families is $29,226. Although many families need help so they can afford good quality care, most cannot get it. The number of children receiving child care assistance nationally has increased over the past five years according to data from the U.S. Department of Health and Human Services, but only 12 percent of children eligible for assistance receive any. In Utah a family of three with a yearly income of $24,000 a year does not



The Self-Sufficiency Standard for Select Family Types

Salt Lake City - Ogden, UT MSA, 2001 & Salt Lake County (excluding city of South Salt Lake)

Monthly costs	One Adult one preschooler		One Adult, one infant one preschooler	
	Costs	% of total	Costs	% of total
Housing	$671	26	$671	20
Child Care	$518	20	$1,012	27
Food	$266	10	$345	10
Transportation	$238	9	$238	7
Health Care	$234	9	$284	8
Miscellaneous	$193	7	$255	8
Taxes	$545	21	$742	22
Hourly Wage Needed	$14.63		$19.13	

qualify for child care assistance.

The Utah Self-Sufficiency Standard, published by Utah Children in the fall of 2001, examines the high cost of being poor and examines what is required to make it financially in Utah. One of the variables examined in the publication is child care. According to the Standard, a single parent with one preschool-age child and one infant will spend 27% of their income on child care expenses (see chart above), the biggest portion of their expenses.

The Standard indicates that for the same family, an hourly wage of $19.13 would have to be secured for the family to meet all its basic expenses without any private or public assistance. When child care benefits are provided to the family, the necessary hourly wage is reduced to $13.45, a much more attainable goal. The Standard points to the importance of adequate funding for child care benefits for working parents.

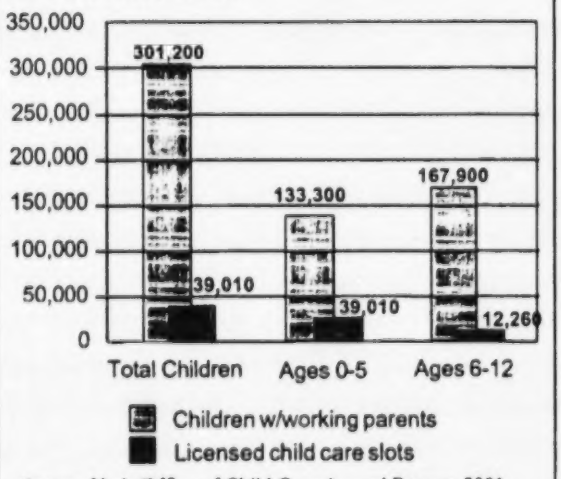
Availability of Child Care

Throughout the state, the amount of child care available for infants and toddlers, school-age children, children with special needs, and for the children of parents who work during nontraditional hours is inadequate.

More than 300,000 children in Utah under the age of twelve live in households with both parents in the workforce or in single parent households. However, the current number of child care slots for all ages in Utah is only 39, 010.

When the number of program slots is compared to the number of school-age children in need of care, there is a significant shortfall. It is uncertain where these children are. Experts believe that many of these children are home alone. School-age children need safe, constructive after-school activities. Unsupervised afternoon hours are prime time for juvenile crime and other threats to children's health such as smoking, drug and alcohol use, and early sexual activity.

Number of Children with Working Parents & Number of Licensed Child Care Slots, 2000



Source: Utah Office of Child Care Annual Report, 2001

Quality of Child Care

Child care affects children's ability to socialize, learn, and to ultimately earn a living, so it affects us all in the long run. Studies consistently find that high quality, early education is linked to improved reading and math scores, increased high school graduation rates, and decreased teen delinquency and teen pregnancy.

In 30 states, including Utah, teachers can begin work in child care centers with no training in early childhood development.

Obstacles to Expanding Child Care

Child care workers are one of the top 50 fastest growing occupations in Utah. It is estimated that there will be 610 openings for child care workers in Utah annually through the year 2005.

Unlike most industries that can easily expand with increased demand, child care is hindered by high operational costs, limited facility options, tight profit margins and limited revenue streams from parents and government sources. Recruiting and maintaining child care staff is a tremendous challenge. Annual turnover rates are high due to low wages, insubstantial benefits, and few opportunities for advancement. Given Utah's recent economic expansion, the child care industry cannot compete with sectors that routinely offer higher wages and better benefits.

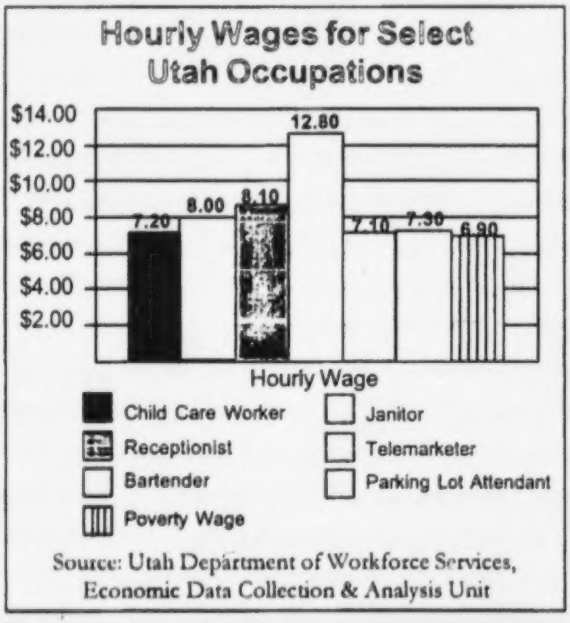
The average wage for child care workers in Utah is $7.20 an hour, only slightly higher than the federal poverty level. The wage rate for child care workers in Utah ranks among the 15 lowest paying occupations in the state.

The Bottom Line: Investing in Kids to Fuel the New Economy

Parents must be able to address the questions of availability, affordability, and appropriateness of care in order to be productive and reliable employees. Employees miss work due to child care problems and some have even found it necessary to leave jobs because they were not able to resolve child care concerns. Nationwide, businesses lose $3 billion each year because of child care related absenteeism, turnover, and lost productivity. Expansion of the licensed child care industry to meet current and future needs will contribute positively to Utah's economy.

Utah has one of the fastest job growth rates in the country and employers face strong competition for qualified workers. Employee retention, morale, and productivity are significant issues in the current marketplace and are likely to become even more important.

The availability, affordability, and quality of child care are essential to Utah's sustained, long-term economic growth. In fact, the overall health of the state's economy will be negatively affected if its child care infrastructure is not strengthened. In the same way that a poor road increases traffic congestion, slows commerce, and negatively affects our economic system, so too does child care have a direct effect on the state's labor force.



Source: Utah Department of Workforce Services, Economic Data Collection & Analysis Unit

Recommendations

Future economic development planning at the state, county, and local level must include child care. Just as public and private entities take an active interest in the construction and maintenance of roads, public transportation, utilities, housing, and educational facilities to support economic development, quality child care should

also be considered.

The lack of data available on the child care industry as a whole makes it difficult to precisely assess its contribution to local and state economies. As a result, its significance has largely gone unrecognized. Although more and better data on the child care industry are needed, the information in this report demonstrates it is an essential component of the infrastructure to support Utah's economy. Future analysis should include information about:

- The dollars of gross receipts or revenues from licensed child care.
- The number of persons directly employed in licensed child care.
- Estimates of the number of indirect and induced jobs created and sustained by the child care sector.
- Estimates of how much money the child care infrastructure enables working parents to earn and the amount those earnings create in turn through total direct, indirect and induced personal income, and tax revenues.
- Estimates of productivity gains.

State government, local governments, businesses, and financial organizations all have a role in promoting the health of the child care infrastructure. Specific recommendations include:

State Government

- Calculate annually a self-sufficiency standard that can be used as benchmark to measure effects of programs and policies and to demonstrate the impact of policy alternatives.
- Include child care as a fundamental component of the economic development planning of appropriate state agencies and programs.
- Pass tax credit legislation that promotes quality child care facilities development.
- Pass tax credit legislation that encourages businesses to support child care plans for their employees.
- Increase state funding for child care assistance to receive more federal matching funds.

Local Government

- Encourage local economic development entities to incorporate child care into their planning (include appropriate language supporting child care in county and city general plans; address the increased demand for child care in new housing, commercial and industrial developments; etc.)
- Urge local entities to inventory and set aside surplus public land for child care facilities development.

Business/Financial Organizations

- Implement or utilize policies and benefits that support child care needs of employees and contribute to business health and productivity, such as on-site child care, dependent care assistance plans that help employees pay for child care with pre-tax dollars, etc.
- Sponsor child care/business information sharing to identify and leverage business efforts to support quality child care.
- Provide favorable financing for child care facilities development projects.

Conclusion

Child care and early education are critical to meeting two of Utah's highest priorities: helping families work and ensuring that every child enters school ready to learn. Parents can only be good, productive workers and help make our state's economy run if they have safe, reliable care for their children. And children can only succeed in school if they have good early-learning opportunities that help them get a strong start. It benefits all of us when children get this strong start on the path toward becoming productive learners, workers, and citizens.

The clear significance of the child care industry is related to the need for it. Parents make up the largest and fastest growing source of skilled labor, so quality child care is a critical aspect of their ability to work. Just as the state invests in other economic resources - such as physical infrastructure, roads and highway, and information technology - **it needs to invest in its human capital, children and families.** Child care is a fundamental issue that connects child well-being, education, and the present and future workforce.

Investing in children is good business.

From the Annual Report of the Utah Office of Child Care, 2001

"Child care helps families work and is an economic necessity. During 2000, the Governor's Office of Planning and Budget reported that Utah had the highest dependency ratio of the 50 states. For every 100 Utah workers, 17 pre-school children are supported - the national statistic is 11.3 pre-school aged children per 100 working adults. One hundred Utah workers support 40.2 school-aged children. The national ratio is 30.5. Utah's personal income or per capita income ranks 41st among the states at $24,536. The per capita income of the U.S is $28,542.

The Department of Workforce Services estimates that by 2003, 59% of all Utah children under the age of 13 will have both parents or their only parent employed, working either full-time or part-time."

About KIDS COUNT

Utah KIDS COUNT is one of several projects of Utah Children. It is partially funded by the Annie E. Casey Foundation of Baltimore, Maryland which funds similar projects in every state for the purpose of measuring and reporting on the status of children over time. The data is used to inform public debate and strengthen public action on behalf of children and families.

Through KIDS COUNT, the Casey Foundation encourages state, county, and city efforts to track the status of children for the purpose of ensuring better futures for all communities.

By providing Utah policymakers and citizens with data-based information about child well-being, Utah KIDS COUNT seeks to enhance local, state, and national discussions concerning healthy, educated, safe, and economically secure futures for all our children.

About Utah Children

Utah Children was founded in 1985 by individuals concerned about children whose parents are least able to protect and nurture them. The goal is to encourage preventive investment in children before they get sick, get into trouble, drop out of school or suffer family breakdown. Utah Children does not provide direct service, but seeks to complement direct services for children by providing a bridge between community programs and state policy-making. Utah Children seeks to:

- Improve and increase the effectiveness of the public systems charged with the protection of abused, neglected, and foster children,
- Assure the provision of children's basic needs: adequate nutrition, health care, child care, and monetary support from absent parents,
- Assure that safe, quality child care is available to all children,
- Protect our communities and redirect delinquent youth by improving the effectiveness of the juvenile justice system.

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